Press Release

Geno Pharmaceuticals Private Limited

August 16, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 9.90 Cr.
Long Term Rating	ACUITE BBB+ / Outlook: Stable
Short Term Rating	ACUITE A2

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB+**' **(read as ACUITE BBB plus)** and short term rating of **'ACUITE A2' (read as ACUITE A two)** to the Rs. 9.90 crore bank facilities of Geno Pharmaceuticals Private Limited (GPPL). The outlook is **'Stable'**.

Geno Pharmaceuticals Private Limited, incorporated in 1975 is a Goa based company promoted by Mr. Dilip R. Salgaocar and family. It is engaged in manufacturing of pharmaceutical formulations like capsules and tablets, liquid orals and ointments. The company sells its products in India and exports to countries like Kenya, Myanmar, Nigeria, Cambodia, Sri Lanka, Costa Rica, etc. It is ISO 9001:2008 certified company.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Geno Pharmaceuticals Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**
  GPPL, established in 1975 is engaged in the manufacturing and distribution of formulation dosages comprising tablets, capsules, liquid orals & ointments. The company is promoted by Mr. Dilip R. Salgaocar and family who collectively possess industry experience of more three decades. A cuité believes that GPPL will benefit from its established position in the pharmaceutical industry, experienced management and established relationships with customers and suppliers.

- **Healthy financial risk profile and debt coverage levels**
  GPPL's financial risk profile is healthy marked by net worth of Rs.77.33 crore as on 31 March, 2017 as against Rs.67.60 crore as on 31 March, 2016. The gearing (debt-equity) is at conservative levels and stood at 0.33 times as on 31 March, 2017 and 2016. The total debt of Rs.25.35 crore as on 31 March, 2017 consists of term loan of Rs.17.01 crore, unsecured loans from promoters of Rs. 0.06 crore and short term working capital limit of Rs.8.28 crore. The interest coverage ratio is comfortable and stood at 8.68 times for FY2016-17 as against 7.84 times for FY2015-16. DSCR stood at 2.36 times for FY2016-17 as compared to 2.59 times for FY2015-16. Net Cash Accruals to Total Debt stood at 0.56 times for FY2016-17. Total Outside Liabilities to Tangible Net worth stood at 0.80 times for FY2016-17.

  Acuité believes that the financial risk profile will remain healthy given its moderate debt funded capital expenditure plan and steady net cash accruals.

Weaknesses

- **Regulatory risks in the domestic and export market**
  GPPL is exposed to regulatory risk in the domestic market as also in countries to which it exports i.e. Kenya, Myanmar, Nigeria, Nepal, among others which constitute ~ 12 percent to total revenues in FY2018. However, the same is mitigated to an extent since it has been engaging with these customers and countries for the last 30 years.

- **Highly fragmented and competitive industry**
  The pharmaceutical formulations industry has a large number of players which makes this industry highly fragmented and intensely competitive. GPPL is also a moderate sized player, thereby limiting its bargaining power and pricing pressure compared to well-established and larger players. However, the company's established presence in the domestic market has enabled it to partially offset competitive pressures. Further, it undertakes regular research and development to improve its product offerings and thereby its bargaining power.

Outlook: Stable
Acuité believes that GPPL will maintain a stable outlook over the medium term owing to its experienced management and improving business profile. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	175.64	182.00	165.93
EBITDA	Rs. Cr.	21.13	19.90	13.93
PAT	Rs. Cr.	10.02	9.80	6.57
EBITDA Margin	(%)	12.03	10.93	8.39
PAT Margin	(%)	5.70	5.38	3.96
ROCE	(%)	18.54	19.82	25.88
Total Debt/Tangible Net Worth	Times	0.33	0.33	0.59
PBDIT/Interest	Times	8.68	7.84	7.48
Total Debt/PBDIT	Times	1.12	0.99	2.30
Gross Current Assets (Days)	Days	119	104	122

Status of non-cooperation with previous CRA (if applicable)
Crisil, vide its press release dated June 26, 2018 had denoted the rating of GPPL as 'CRISIL BB+/Stable/CARE A4+; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at 'CRISIL BBB/Positive/A3+' vide its press release dated January 16, 2017.

Any other information
Not Applicable

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)
Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE A2

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About Acuité Ratings & Research:
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